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EC Adopts Higher Farm Prices, Program for Structural Reform

U.K. Sets New Farm Price Guarantees

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The EC farmers' protest in Brussels began as a peaceful, sign-waving demonstration and wound up in a destructive melee. See story page 3.

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Protesting EC farmers marched in Brussels waving signs spelling out their grievances (right). A donkey has his own show at left.

Above, Belgian sign needles Dr. Mansholt, vice president of the EC Commission for agriculture. Left, Italian farmer says, "We want fair prices."

EC Farmers Stage Protest in Brussels

By JACQUES A. LARUELLE
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The farmer protest in Brussels on March 23 was the first massive "Community-wide" demonstration since the Common Market was established 13 years ago. The violence that resulted was a reflection of deep discontent with agricultural policies and prices.

Between 80,000 and 100,000 European Community farmers responded to invitations issued by their respective farm organizations to demonstrate in Brussels (headquarters of the EC). Although the majority of protesters were Belgian, farmers from the other EC countries — the Netherlands, Luxembourg, France, Italy, and West Germany —were also on hand.

The farmers' objective was to acquaint the public with their low income situation in the face of constantly rising costs and to stress their desire for higher prices for their products.

During the morning of March 23 all roads to Brussels were thronged. Farmers had been warned by the mayor of Brussels that they would not be allowed to travel by tractor or combine or bring their cows, pigs, or chickens along on the trip. Instead practically all farmers brought along wooden pitchforks which became a symbol for their anger; or carried big signs bearing the name of Dr. Sicco Mansholt, vice president of the EC Commission responsible for agriculture. The signs expressed a discontent which had been brewing for years:

Unity in the EC
Or let's get rid of it

The farmer milks the cow
The minister milks the farmer

Milk price too low.
Fuel oil too expensive
Make farmer's life too sour

In the late afternoon the demonstration which began peacefully erupted into a rock-throwing, property-destroying melee. When it was over and the farmers packed onto their buses, the casualties included one dead, 150 injured, and several million dollars' damage to private and public property.

What caused this violent demonstration? The motivation may be found in the continuing malaise of much of EC agriculture, especially in the regions of small farms, poor land, and low incomes.

Even in Belgium where a relatively progressive agriculture has adopted modern methods to a high degree, farms remain about 20 acres in average size, and farm incomes have risen little in relation to those of industrial workers during the first 13 years the EC has been in existence. Although average net farm income of Belgian farmers was estimated to have reached 77 percent of nonfarm worker income in 1969, the parity ratio fell in 1970 to an estimated 68 percent. The reasons for this decline were higher costs for farm labor, machinery and equipment, fertilizers, seeds, rents, and taxes; smaller crops due to unfavorable weather; and lower prices for livestock products.

Belgian farmers generally have supported the Common Market and looked beyond their own Government for a solution to their problems. However, during the past decade, in which the Common Agricultural Policy has been expanded to cover about 90 percent of farm products, they find that their relative income and security have not materially improved.

Farmer discontent which formerly was vented against the Belgian Government has gradually been turned more and more toward the EC where Vice President Mansholt, who is responsible for agricultural policy, is the natural scapegoat. They blame him for not proposing higher support prices and various measures to improve their lot. However, Mansholt, feeling that the high prices lead to surplus, has advocated a series of structural reforms.

Several days after the demonstration the EC Council of Agricultural Ministers issued prices for 1971-72, and most demands made by the EC Committee of Farm Organizations (COPA) seem to have been met.

The Ministers also announced a new program of large expenditures for structural reforms aimed at movement of farmers out of agriculture, increasing the size of farms and average net farm income, and making agricultural production more efficient. (See following article.)

However, COPA price demands themselves were compromises among prices desired by farm organizations in the six countries. In many cases demands of individual organizations in different countries were not met, since farm problems vary widely from country to country as well as regionally.

Some Belgian farm officials, for example, are already criticizing the new prices as being too low. Likewise, it will take several years before the structural-social programs agreed upon can be implemented and have any significant effect on average farm income.

EC Sets Higher Farm Prices, Adopts a New Program for Structural Reforms

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On March 25, 1971, in Brussels, Belgium, the European Community Council of Ministers adopted higher prices for the coming marketing year for most agricultural commodities and installed a $1.5-billion program to reform and modernize farm structure in the member states. The price changes were the first in 3 years. The marathon meeting was held amidst large and at times violent farmer demonstrations in Brussels and in other Community cities.

The demands of the farmers, voiced by the different national farmer organizations, called for major price increases. The German Bauernverband, for example, asked for a general increase of 10 to 15 percent. The demands of COPA, an EC-wide association of farmers' unions, and most of the other farm organizations were not as great. In addition the farmers wanted an improved structural program.

Farm groups act

The farmers' drive for higher prices has exacerbated relations between the farm organizations and the EC Commission. The farm organizations have focused their attacks on Dr. Sicco Mansholt (vice president of the EC Commission, and author of both the original Common Agricultural Policy (CAP) and the Mansholt Plan to reform the EC agricultural sector).

Dr. Mansholt, on the other hand, has accused the organizations of failing in their duty to inform the farmers of what producers in other areas want; what measures are actually possible on an EC level; and what has already been agreed upon between COPA and the EC Commission.

The farmers' dissatisfaction stems basically from the continuing gap between farm and nonfarm income which, in turn, derives from the small scale and inefficiency of most EC farming enterprises. This gap between farm and nonfarm incomes has been widening throughout the Community. The price support policy of the EC has proved an ineffective method of alleviating the problems of these small farmers. While the large landholders are in a position to benefit from the high support prices through modernization and economies of scale, the small farmer is less able to reduce his costs and has seen the income from his limited production eroded by rising farm costs.

The problem of the agricultural sector is thus mainly one of structural inefficiency aggravated by the setting of high producer prices and variable levies which insulate these prices from world market forces.

Although he authored the common price policy, Dr. Mansholt has, in recent years, repeatedly stressed that raising the price level of certain commodities will not alleviate the low-farm-income problem in the long run. He feels that price policy should be coordinated with a comprehensive program of structural reform. Basically, this reform would mean reducing the farm population and encouraging inefficient producers to leave the land. However, this plan has met with considerable opposition from conservative Europeans who have historically protected the small farmers.

In establishing the Common Agricultural Policy, common prices were chosen on the basis of political compromise. Having a common price support system for such a diverse area as the EC is a problem itself. Prior to the CAP, price levels in the six member nations varied, and implementation of the CAP prices wrought considerable changes in the agricultural price structure of some of the member states. For example, French wheat prices were raised considerably while German prices were lowered. In general, the adoption of common prices meant an increase in French and Dutch farm prices and a decrease in German farm prices.

The revaluation of the German mark in October 1969 resulted in a further decrease in German farm prices. Since the CAP sets common farm support prices in terms of units of account (equal to U.S. dollars) a change in the exchange rate of any member state results in a change in that country's support price in terms of national currency. Thus, German farm support prices were automatically reduced almost 9 percent by the revaluation.

Although German farmers have received certain subsidy payments in compensation for the lower prices, they have complained that these payments have not fully offset their losses. Consequently, German farmers have been in the forefront of the push for higher prices.

EC proposals

Early in February of this year, the Commission of the European Community formulated a package of price and structural reform proposals which were presented to the Council of Ministers by Dr. Mansholt.

Dr. Mansholt, the Commission, and the Italians were determined that the price proposals would not be acted upon without structural reform measures. The Dutch and West Germans wanted the proposals to be treated separately, and the French and Belgians were agreeable to both solutions.

The Italians have the most to gain from modernization and structural aid measures, since their agricultural sector is less progressive and developed than that of the other member states.

The Germans, on the other hand, were primarily concerned with the more immediate problem of prices and somewhat wary of the cost of an EC-wide program of structural reform. There was also considerable dispute among the member states as to the level of the price changes.

The Commission proposals included a 2-percent increase in the target price of soft wheat and a 5-percent increase in both the intervention and target price for barley. This would lessen the gap between barley and wheat prices by 3 percent and encourage farmers to produce more barley and less wheat. The proposed target price for rice was about 4 percent higher. A 5-percent milk price increase was proposed as was a 10-percent increase in the beef price over the next 2 years.

Price agreements

The prices agreed upon by the Council were somewhat higher and included more commodities than the Commission proposals. The target price for soft wheat was raised 3 percent instead of 2 percent and a 2-percent rise in the intervention price was included. In addition, the Durum wheat and rye and corn prices were raised. The rice price, on the other hand, was much lower than proposed. The target price proposal for barley was accepted; however, the intervention price was raised 4 percent instead of 5 percent.

The prices agreed upon by the Council, while higher than the Commission proposals, did not entirely satisfy the farmers, since they are still well below the levels demanded by them.

EC farmers, however, are not entirely dependent on price increases for income assistance. All member states grant certain national aids to farmers. In Germany, for example, subsidies to farmers have been granted since 1965 as a response to income losses expected to be incurred by farmers as a result of the reduction in the German grain price level to the Community level, and later, the German mark devaluation.

These subsidies are in the form of income grants and structural improvements. Shortly after the Council meeting, the German Government agreed on additional subsidies totaling $130 million for the new marketing year.

The increased prices will likely further stimulate the expansion of domestic EC farm output at the expense of imports. It remains to be seen, however, what effects the price increases will have upon shifts among different crops or enterprises. The large price increase for beef may encourage farmers to switch from surplus dairy output to beef, for which there is a greater demand. In addition, if the higher barley price encourages greater barley production at the expense of wheat, the chronic wheat surplus problem may be lessened.

The decisions adopted on structural reform are principles which are to be embodied in implementing directives prepared over the next few months. The Council Resolution contains the following provisions:

- Premiums and pensions. A one-time premium of unspecified size for those farmers ceasing agricultural activities and making their land available to other farms through rent or sale, or switching its use to nonagricultural purposes. For farmers aged 55 to 65, an annual pension of $600 will be provided as a supplement to national pension plans.
- Supplementary assistance by member states for farmers wishing to shift to nonagricultural activities, including training and income guarantees during the transition.
- Modernization assistance to farms capable of achieving within a 6-year period the ability to furnish at least two persons an agricultural income equal to that received by other workers in the same region engaged in nonagricultural activities. Loans and deferred depreciation will be provided also.
- Extension services will be set up for farmers, and marketing assistance supplied to producers' groups and their unions.
- Member states will undertake to prevent further expansion of area involved in agricultural production.

The reform measures will be financed 25 percent by FEOGA (European Agricultural Guidance and Guarantee Fund) and 75 percent by the member states. In certain areas to be determined by the Council, FEOGA will provide 65 percent of the funding. The measures adopted are somewhat weaker than the April 1970 Commission proposals. Some of the differences include: the pension was to have been $1,000; the financial contribution of FEOGA in less developed areas was to have been 75 percent instead of 65 percent; there would have been established a minimum farm size to receive modernization assistance; and scholarships for farm children would have been provided on a Community-financed basis.

It is difficult to predict the extent to which this structural program will advance the goals of the original Mansholt Plan, but a major step forward has been taken, and Community financing and strengthening of reform measures will inevitably now figure in future bargaining among the member states for price increases.

PRICES FOR 1971-72 ADOPTED BY THE EC COUNCIL

Commodity and price	1971-72 price	Change from 1970-71[1]
	Dol. per metric ton	*Percent*
Soft wheat:		
Target	109.44	3
Intervention	100.72	2
Durum:		
Target	127.50	2
Intervention	119.85	2
Rye:		
Target	100.42	3
Intervention	92.82	2
Barley:		
Target	100.21	5
Intervention	92.82	4
Corn:		
Target	96.89	1
Intervention	79.31	0
Rice (brown):		
Target	202.00	1
Intervention	125.00	0
Milk:		
Target	109.00	6
Butter:		
Intervention	178.00	3
Skim milk powder:		
Intervention	47.00	14
Grana Padano cheese:		
Intervention		
30-60 days	1,320.50	6
6 months	1,566.00	5
Parmesan cheese:		
Intervention	1,710.00	5
Beef:		
Orientation		
(1971-72)	720.00	6
(1972-73)	750.00	—
Veal:		
Orientation	942.50	3
Sugar (white):		
Target	238.00	6
Intervention	226.10	6

[1] Rounded to nearest percent.

U.K. Announces Farm Price Guarantees, Moves Toward Variable Levies—Part I

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U.K. Minister of Agriculture James Prior on March 17 announced in the House of Commons details of the 1971 Annual Review and Determination of Guarantees.

At the same time, he outlined in general terms the amended minimum import price (MIP) arrangements for grains and eggs and the new MIP systems for meats and processed milk products. (These arrangements will be covered in Part II of this article.)

The 1971 Annual Review has taken place against a background of extremely heavy production cost increases since the 1970 Review (see *Foreign Agriculture,* June 1, 1970). These increases for the whole agricultural sector are estimated to have totaled $521 million. (Since the Review procedure does not cover poultry meat and horticultural crops, there are large differences between total increases and those on Review commodities.)

The greater expenses are attributable in part to the sharp rise in grain prices, which was triggered by the corn-blight epidemic in the United States. It is estimated that the cost of feedstuffs during the past year went up by $194.2 million for all agriculture and by $110.2 million, or 32 percent of all cost increases during the past year, for Review commodities.

Other expenses also rose sharply. Machinery, including depreciation, for agriculture as a whole cost $93.4 million more than in the previous year—$71.8 million more for Review commodities. Labor costs for all agriculture rose an estimated $96 million, including $64.1 million on Review commodities. The cost of fertilizers and lime for all agriculture was up $48 million, with $38.4 million falling on Review commodities.

Parallel with cost increases, the Annual Review must also take into account net farm income, which, after going up 16 percent the previous year, appears to have risen only 2.5 percent in 1970-71 to $1,414 million. Net output of U.K. agriculture, however, at $2,501 million, was up 4 percent from the previous year. The difference in growth between output and income was due to higher labor and rent charges—up 6 percent to $986 million. Interest charges, at $101 million, were the same as in 1969-70, but in that year they had jumped 16.5 percent.

It is upon this background that the National Farmers' Union (NFU) has based its claim that Government action to rebuild farmers' confidence is needed, in the form of a massive input of funds to bring about expanding production. The farmers' case has also been buttressed by the strong possibility of British entry into the EC within a few years, necessitating a marked rise in the contribution that British agriculture makes to national self-sufficiency if the balance of payments burden from high-cost food imports is not to be crippling.

On the Government side, there has been in 1970-71 a windfall, estimated at $111.4 million, of savings in Exchequer support for agriculture spent on the implementation of the price guarantees.

At the time of the March 1970 Review, it had been estimated that the guarantees in 1970-71 would cost the Government $340.1 million. Because of the subsequent marked increases in cereal market prices and the firm market for pigs in 1970-71, the expected cost is now put at only $228.7 million, including an additional $129.6 million worth of adjustments made in the 1970-71 guarantees last October as part of an interim award aimed at offsetting some of the cost gains that had occurred since the 1970 Review. (See *Foreign Agriculture,* Nov. 9, 1970.)

The 1971 Review has been calculated and its results expressed in terms that include the October 1970 adjustments as though they were part of the 1971 Review. Thus, in conventional Review terms the amount of the award is put at $331.2 million. Since estimated cost increases on Review commodities amounted to $338.4 million, the cost recoupment has not been complete. The NFU has, therefore, not agreed to the Review, which means it is imposed on the union.

The price increases announced by the Minister benefited all Review commodities except rye and eggs; in some cases they are very large indeed.

In the livestock sector, the guaranteed price of fat cattle was raised 11 percent from the 1970 Review and 6.25 percent from the October adjustment, to $26.47 per 100 pounds. The guaranteed price of milk was raised to $5.14 per 100 pounds, or 12.75 percent more than the previous year's price and 7.75 percent above the October adjustment. The guaranteed price of milk, however, is geared to a "standard quantity" based upon sales for fluid consumption, which have been declining slightly in the United Kingdom over the past 2 years. The 1971-72 "standard quantity" has been set at 2,122.6 million gallons, or 53 million less than for 1970-71.

Normally, a reduction in the standard quantity implies a decline in the guarantee, since milk produced over and above the standard quantity has to be sold at much lower prices for manufacturing purposes. The resulting pool price, a blend of returns from fluid and manufacturing sales, is what farmers receive. But in 1971-72, the new MIP system on milk products is expected to remove this threat.

The guaranteed price of fat sheep and lambs has been raised to 53.5 cents per pound, 14.5 percent above that in the 1970 Review and 11 percent above the October adjustment. The wool guarantee goes up 2.5 percent to 54.5 cents per pound; no change was made on wool last October. In the Review, it was noted that U.K. production of

Herding sheep in Hereford County. (U.K. Ministry of Agriculture Photo.)

sheep has continued to decline and would therefore receive special Government attention.

The final increase for livestock raises the guaranteed price of fat pigs by 2.5 percent to $35.15 per 100 pounds; here again there had been no October increase. This guarantee is complicated, however, by the automatic feed adjustment mechanism. The actual guaranteed price in the 1970 Review was $30.55, but this was related to a feed price of only $3.86 per 100 pounds. The current feed price is calculated at $4.71, putting the 1970 guarantee adjusted to it at $34.30, or 85 cents below the new guarantee.

The full guarantee on fat pigs is paid on a "Middle Band" of pig certifications: when certifications exceed this level, the guarantee is reduced. In the October adjustments, the Middle Band was raised by 450,000 to 13.35-14.75 million. This increase has been confirmed into the 1971 Review.

The guaranteed price of wheat in the Review has been raised to $2.09 per bushel, 8 percent over the 1970 Review price, but 4.5 percent over the October adjustment of $2.01. The October price became the effective guaranteed price for 1970-71, with which the new price should be compared.

The barley guarantee is now raised to $1.49 per bushel, 7.5 percent above the 1970 Review price but 3.5 percent above the effective 1970-71 guarantee given in October.

No change was made in the October 1970 adjustments to the guaranteed price of oats, and this now goes up by 3.5 percent to 99 cents per bushel. The price for rye, however, remains unchanged from the 1970-71 guaranteed price of $1.295 per bushel.

For sugarbeets, the new guaranteed price is $16.29 per short ton, an increase of 11.5 percent and 9.5 percent, respectively, from the last Review and the October adjustment. The guaranteed price of potatoes, not changed in October, moves to $35.47 per short ton, or 4.25 percent more than the 1970 guaranteed price.

The previous Government's policy of phasing out the guarantee on eggs is continued in this Review, and the new price for hen eggs drops by 1.2 cents per dozen to 39.6 cents.

Other measures taken in the Review affect the hill sheep and beef cow subsidies, the brucellosis incentives, the fertilizer and lime subsidies, and some production grants.

Alarmed by the continuing fall in U.K. sheep numbers, the Minister has decided to make substantial increases in the hill sheep subsidies, which had already been increased appreciably in the October adjustments.

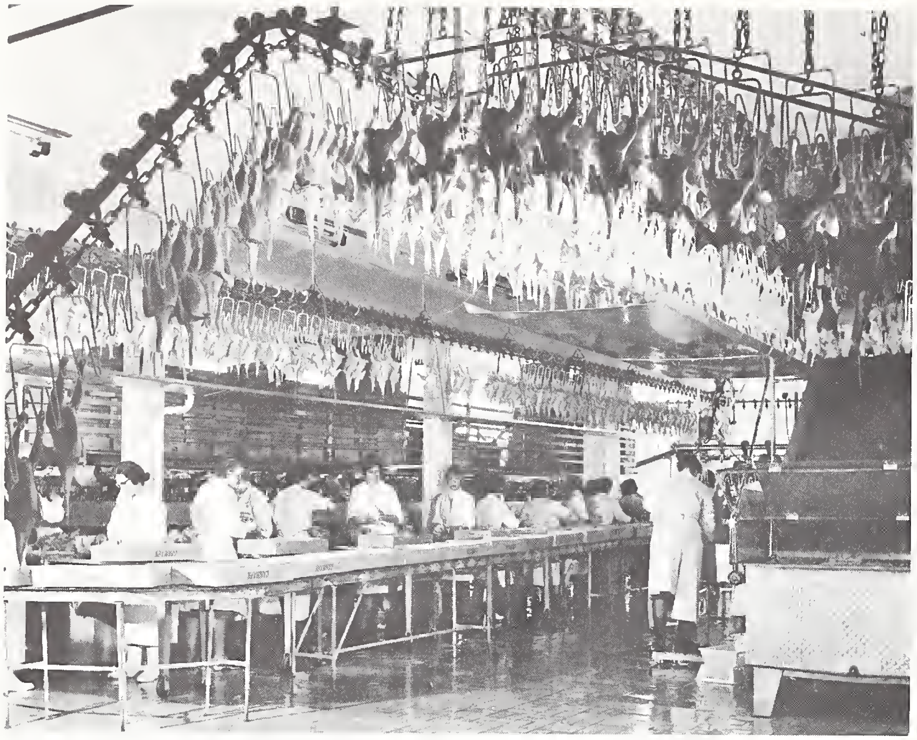
The new arrangements raise the higher rate per eligible ewe to $3.60—43 percent above the subsidy fixed in the 1970 Review and 5.25 percent above the adjusted rate of $3.42 announced in October. The lower rate of subsidy goes up by 81 percent from the 1970 Review and by 5.5 percent from the October adjustment, to $2.28. The winter keep supplement, however, has been cut by 6 cents to 36 cents. No change has been made in the amount of the beef cow subsidy, but the elegibility limitation of one cow per 2 acres of grass and forage crops has been removed.

In the 1970 Review, a new comprehensive brucellosis eradication scheme was announced, with incentives for both dairy and beef herds. The incentive for dairy herds, fixed last year at 1.2 cents per gallon of milk, is now increased to 2 cents. For beef herds, the incentive per eligible cow is increased by $7.50 to $12.00.

Also announced last year was a special 1-year increase in the rates of fertilizer and lime subsidies—up 20 and 15 percent, respectively. As intended by the previous Government, the 1971 Review ended this arrangement, and after March 19 subsidy rates reverted to previous levels.

Lastly, the Review confirms the ending of certain production grants previously announced January 19 in the White Paper *Proposed Changes in the Work of the Ministry of Agriculture, Fisheries and Food*. Now terminated are grants to rabbit clearance societies, grants on working capital under the Agricultural and Horticultural Co-operation Scheme, and the Farm Business Recording Scheme.

The estimated total cost to the Exchequer of the 1971 Review determinations amounts to $824.2 million, or $177.6 million more than the 1970-71 outlay. Almost all the increase is in the price guarantees, the cost of which is expected to rise by $165.6 million to $394.3 million. The effect of last October's determinations would have been to raise the total Exchequer cost of agricultural support by $65.8 million (including $57.6 million in the cost of the price guarantees), if no further measures had been taken in the 1971 Review. The 1971 determinations now raise the expected total cost by a further $111.8 million (including an additional $108 million in the cost of the price guarantees)—an amount almost identical with the $111.4 million "windfall" in 1970-71.



Danish poultry processing plants are consolidating for greater efficiency.

Poultrymen In Denmark See Little Impact From EC Accession

Danish poultry interests, eyeing the prospect of EC membership, do not think it would have a great impact on their industry.

The poultry industry—which competes directly with the U.S. industry in many world markets—generally supports Common Market membership because EC producer prices are about 25 percent higher than Danish producer prices. However, feeling among industry leaders is that, since higher feed costs would largely offset the higher producer prices, broiler production would probably not expand significantly. And egg production will probably continue to decline whether Denmark becomes a member of the Common Market or not.

At present, the average broiler-producing unit, though holding its own, is not up to the peak efficiency of the larger producing units in the rest of Europe. If broiler production is to survive and grow, producing units will have to be expanded partly because of the growing shortage of farm labor. The current annual output of well under 100,000 birds per unit will have to rise to at least a half million or even a million.

A shift of this magnitude would call not only for changes in the level of management, but also for considerable new investment in plants and equipment. Whether this new capital will be forthcoming is uncertain. It could come from outside sources once full EC membership is attained and the right of establishment opened. Also, large private firms may wish to expand their integrated activities once these activities are freed of Danish Government restrictions and anti-"bigness" pressures from cooperatives and farm organizations in the country.

However, many people feel Denmark will be more inclined to use its capital to expand in areas of greater competitive advantage such as dairy, beef, and pork, and leave the poultry and egg business to the more heavily populated areas within the enlarged European Community.

A number of changes are expected in processing and marketing if EC accession is completed. Many of the present poultry-processing plants are too small to be efficient and either are or soon will be completely outmoded. Consolidation and closing are already underway in the private sector. One large private firm with three plants now processes about 25 percent of all the broilers slaughtered in Denmark, and four large cooperative plants, handling 44 percent of the slaughter, are likely to merge. In addition, marketing in the future will be handled more by large firms and less by the influential Danish Poultry Export Board.

If Danish broiler production should grow under EC membership, a large share of the increase could easily be absorbed by greater domestic consumption. At current high consumer prices, demand for chicken is very elastic, as is illustrated by a recent 40-percent in-

crease in domestic consumption that resulted from a 15-percent retail-price decrease granted for poultry meat on the home market in 1970. This drop in retail price was caused by a decrease in the home-market levy. Even after this increase, total annual poultry consumption in Denmark is only about 12 pounds per person.

After Common Market accession, and if certain import requirements are changed, Denmark could become a market for U.S. poultry parts, particularly turkey parts, in which Danish production efficiency still lags far behind that of the United States.

Egg production is in much worse shape than the broiler industry. The typical small-farm, egg-laying operation in Denmark lags in both production and marketing techniques, and no significant improvements are being made. In addition, a Danish restriction against use of cages has held back development of large-scale egg-producing units. Under EC membership, there would be virtually no gain at all for egg producers. In fact, prospects for eggs are so gloomy that Denmark is concerned whether it can hold even its own domestic market.

Other groups, such as the Danish Poultry Export Board, though not openly opposed to EC membership, are not enthusiastic about it either. The Poultry Export Board foresees abridgement of its activities under European Community regulations.

At present the Board, composed of representatives of producers, private exporters, and cooperatives, has broad powers to regulate nearly all phases of poultry marketing in Denmark. It plays an especially important role in export marketing and administering the home-market price scheme, which places a consumer tax on all poultry sold domestically. This scheme permits Denmark in effect to subsidize its poultry exports. The Board can also finance storage when needed to maintain prices and can function in the role of exporter if necessary.

The poultry industry has submitted to the Board's rigorous control because it has meant survival. The home-market scheme results in relatively high domestic prices compared with export prices. The Danish consumer pays about 42 cents per pound for broilers while the same item is sold at such distant markets as Singapore and Hong Kong for 25-26 cents per pound.

The Danes recognize that most of the Board's activities would be incompatible with EC regulations after the transition phase. The Board's activities, if maintained at all after accession, would probably be limited mostly to sales promotion efforts and poultry industry representation.

The Danes are asking no special concessions for the poultry industry during the transition period for the enlarged Community. In fact, Denmark wants as short a transition period as possible and equalization of Danish and EC poultry prices as soon as practical. Denmark is asking that the transition to EC poultry prices be made in line with the planned changeover to European Community grain prices.

—Based on dispatch by
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Turkey's Expanding Sugar Industry

"Let us eat sweet, then talk sweet" has been a Turkish proverb for centuries, and the Turks have followed this precept so faithfully that total consumption has risen 900 percent in the past 45 years. Domestic output, too, is up, although its progress has been somewhat erratic.

The first sugar processing plants in Turkey were established in 1926 and production that year weighed in at 573 metric tons. Today there are 17 plants whose combined production was 501,328 tons in marketing year 1969-70.

Twelve of these plants are owned, and all 17 are run, by the Turkish Sugar Corporation, a semi-Governmental organization owned by three leading State and private banks. Besides directing the processing plants, the Corporation supervises the entire sugar-raising operation from preparation of the land to determination of the harvest date. It also provides seed, fertilizer, machinery, and credit through the beet cooperatives.

During the 1920's, beet yield per acre was only about 4 tons. Today, thanks to improved irrigation and farming methods, yield is about 14 tons per acre. About 30 percent of the total beet area of 304,000 acres is unirrigated, so yield shows some variation from year to year depending on weather conditions.

Because of population expansion and a rise in per capita consumption from 9 pounds in 1926 to 44 pounds in 1969-70, domestic sugar consumption has risen steadily from 63,000 metric tons in 1926 to 580,000 tons in 1969-70.

In 1926 Turkey was importing some 62,971 tons of sugar to provide for local consumption. But as domestic production expanded, imports fell and by 1960 the country was exporting sugar to several markets.

In 1960 sugar production reached 643,498 tons—almost twice as much as the local consumption. This surplus production was attributed to a high market price for sugarbeets. Production cost was 80 kurus (5.5 U.S. cents) per pound while the sugar was sold at 135 kurus (9 cents) to the local wholesale market. Sugar prices in the world market, however, were much below the 80-kurus level and therefore it was uneconomical for Turkey to export sugar. However, the Government decided in 1960-61 that the surplus sugar stocks should be exported, even at a loss, and production adjusted to the local demand. As a result, exports reached 330,799 tons in 1960-61 (more than half of the local production for that year).

Adjusting production to local demand was not an easy task. It required a drastic reduction in acreage which caused protests from thousands of farmers. However, sugarbeet prices remained the same. Finally, during the 1969-70 marketing year production dropped below the consumption level and is expected to be the same again this year.

A reverse trend is expected to start this spring with an increase in acreage and production in order to meet the rising local consumption. A step has already been taken to encourage production—the sugarbeet price has been raised from 7 to 9 kurus (0.4 to 0.6 cent) per pound, and eventually new sugar processing plants will probably be required.

Sugar production is expected to expand by about 6 percent annually.

—Based on report by
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Australian Farmers Double Production and Exports of Feedgrains

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Australian farmers, prompted by a large wheat surplus to divert acreage to feedgrains, have doubled production and trade of barley, oats, corn, and grain sorghum from recent levels. Destination for much of the increase in exports is Japan, where competition with U.S. feedgrains is intensifying.

Total 1970-71 production of these grains was 5.6 million metric tons, 31 percent over that of 1969-70, and exports are expected to rise over a million tons from the preceding year's level of 917,000 tons.

Although Australia's feedgrains do not enjoy a support price, as does wheat, they find in Japan a very attractive market, particularly for grain sorghum.

First, prices in Japan are higher than in Rotterdam. World corn and sorghum prices tend to be based on domestic U.S. prices, and, because of the higher cost of freight to Japan than to Europe, the delivered-Rotterdam value of U.S. corn and sorghum is normally around $4 to $5 below the delivered-Japan value of the same grain. For wheat the situation is different. Since wheat from the Pacific Northwest and Northern Plains is shipped from Pacific ports, values in Japan and Rotterdam are normally about equal.

Another factor is that freight rates from Australia to Japan are lower than those from the United States to Japan and considerably below those from Australia to Europe, the other major commercial market for feedgrains.

In addition, the Japanese, attempting to diversify their sources of grain supplies, have welcomed the increased availabilities in Australia.

The beginning of the recent uptrend in Australia's feedgrain production came the year following the serious 1967-68 drought, which caused heavy losses in grains as well as livestock. Seeking quick recovery of their losses, both grain and livestock operators expanded grain acreage in 1968-69. Plentiful moisture supplies brought record wheat production and good yields of other grains.

In 1969 the Australian Government, burdened with problems of storing, marketing, and financing advance payments for the resulting large wheat surplus, urged farmers to shift to grains having a more ready export market. Also, after extended deliberations, the Government established a restrictive wheat-delivery quota system.

In 1969-70, while wheat area was cut by 3.4 million acres, barley area went up 600,000 acres and sorghum and oats each gained over a half-million acres. In 1970-71, barley area increased another 1.6 million acres and sorghum and oats 600,000 each while wheat area dropped 6 million acres.

Barley production in 1968-69 doubled to a record 1.6 million tons. In 1969-70, with barley area at a high of 3.9 million acres, production moved to 1.8 million tons. In 1970-71 area was up to 5.5 million acres and production to 2.4 million tons, 41 percent and 124 percent, respectively, over the 1960-64 annual averages.

Use of oats for grazing and hay in dry years causes wider swings in outturn for this crop than those for barley, but since 1967-68 oats have followed a pattern similar to that of barley. In 1970-71 oats area was 5 million acres and production 1.7 million tons—49 percent and 40 percent respectively over the 1960-64 annual averages—as yield declined 10 percent.

The main increases in barley and oats production have occurred in southern New South Wales and Victoria and westward through South Australia and Western Australia.

Grain sorghum plantings (made mostly in October) increased from 1965 through 1967. Then, in the latter part of the 1968-69 season, excess moisture continuing through the harvest reduced the producing area sharply. However, acreage jumped in 1969-70—and again in 1970-71 (by 71 percent) to 1.4 million acres. Helped by good rains, the 1970-71 crop is likely to reach 1.2 million tons, more than double last year's half-million tons and over five times the yearly average of 1960-64.

Part of the 1970-71 increase in grain sorghum acreage came from 300,000 acres in Queensland and New South Wales that were not sown to wheat because of drought at planting time and were later put into sorghum. With this area likely to revert to wheat in 1971-72 sorghum area may decline somewhat next season. However, considering the favorable Japanese market, land planted to sorghum in Australia should continue to show at least a gradual increase in the next few years.

As early as 1967, several schemes were underway to develop land to produce grain sorghum in Australia's Northern Territory and Western Australia. These projects were encouraged by Japanese interests, which offered to buy the output. However, these areas have yet to achieve a substantial level of grain production.

At the same time, the Japanese, through local firms and cooperatives, are understood to have offered a minimum price, with virtually no limit on quantity, for sorghum produced in the more established grain-growing areas of Queensland and New South Wales, the two States where the big expansion in sorghum production has taken place.

Corn production in Australia has followed a fairly even course. However, it too gained in the past 2 years, and the 1970-71 turnout, estimated at 267,000 tons, will be about 50 percent higher than the 1960-64 annual average.

By early 1970 expanded production

of sorghum, barley, and oats in Queensland, New South Wales, and Victoria had caused serious marketing problems. Storage and handling facilities had to be expanded and there were problems in coordinating movement of other grains through traditional wheat channels to port and aboard ship. In this situation the Australian Coarse Grain Growers' Association was formed especially to export New South Wales grain sorghum and corn. Also involved in exporting in this region are such organizations as the Queensland Grain Growers' Association, the Central Queensland Grain Sorghum Marketing Board, and the Queensland Barley Marketing Board.

In the southern and western areas export operations for barley and oats are handled by organizations that include the Australian Barley Board (in South Australia and Victoria), the Western Australia Barley Board, the Victorian Oatgrowers' Pool and Marketing Company, and the Western Australian State Voluntary Oats Pool.

Along with large supplies, competition with low-priced off-grade and overquota wheat has increased the pressure to export. Prices have also been a stimulating factor. After last year's reduced grain crops in Europe and the United States, feedgrain prices advanced sharply. The price of barley arriving in Japan, for example, rose from $60 per metric ton to a high of $77 last fall, while the sorghum price rose from $67 to $74 a ton.

Australia's 1970-71 (July-June) feedgrain exports are expected to reach 2.1 million tons, compared with an average of 725,000 tons in marketing years 1961-62 through 1965-66; a low 333,000 tons following the poor 1967-68 crop; and 918,000 tons in 1969-70.

The increases in barley exports have gone to Japan and Taiwan, and the increases in oats, sorghum, and corn exports predominantly to Japan.

Barley exports are expected to reach a million tons this year, up from 641,000 last year and the 1962-66 annual average of 389,000.

Exports of oats may reach 475,000 tons, compared with 222,000 tons in 1969-70 and the 318,000-ton average in 1962-66.

Perhaps most impressive, sorghum exports—largely from the March-May 1970 harvest—are forecast at about 600,000 tons, compared with 54,000 tons a year earlier and the 16,000-ton average during 1962-66.

The larger current corn crop may also allow larger shipments of this grain in the next year. So far this marketing year 12,000 tons—all from last season's crop—have been exported.

Prospects for export availabilities from 1971-72 barley and oat crops soon to be planted are even brighter. With subsoil moisture replenished in all major parts of the winter grain areas, the 1971-72 planting season began under optimum conditions. Because of favorable prices, record sowings of barley and oats are anticipated in spite of a 6-percent increase in the wheat-delivery quota for the next harvest. Moderate followup rains during the growing season would insure bumper crops and thus increased supplies of these grains for export.

A heavy outturn of overquota wheat and good pasture conditions could mean still larger availabilities of barley and oats for export.

European Community Considers Adopting CAP for Hops

By THEODORE HOROSCHAK
Fruit and Vegetable Division
Foreign Agricultural Service

The Council of Ministers of the European Community (EC) is presently considering a Common Agricultural Policy (CAP) for hops and hop extract—commodities for which the world export market is important. American and Continental (European) hops differ substantially in flavor characteristics, and brewers utilize a blend of these types in the brewing process.

The term Common Agricultural Policy refers to the standardization of regulations of the member states for similar crops and commodity groups. Goal of a CAP is to improve farmers' economic welfare and to promote agricultural trade among EC member states. Although many CAP's have been established, their formulation has proved to be one of the sternest tasks that have faced the EC, the major obstacle being the widely divergent agricultural economies of the member states. Rice, grain, fats and oils, and beef are among the items presently regulated through CAP's.

If the proposed CAP for hops and hop extract is ratified, it will go into effect with the 1971 harvest. Major points of the proposed CAP are:

- Producer deficiency payments equal to the difference between the average grower price received and a target return per hectare. The target return, which has yet to be established, will be changed annually as economic conditions warrant.
- Certificate of appellation of origin, containing the following data: region (or state) of origin, lot identification number, variety, and year of harvest.
- Removal of all import quotas on hops. (EC regulations provide for removal of import quotas on all commodities regulated by a CAP.) As a result, markets in France and Belgium may expand.

Minimum quality standards, stating the maximum permissible contents of certain items in the hops, are as follows (in percent): water, 12.5; leaves and stems, 6; bracts (petals), 15; seeds, 2; and hop wastes (small particles resulting from machine picking), 5.

The target grower return to be used in determining grower deficiency payments is of paramount concern to U.S. hop producers. For, unlike the U.S. marketing orders which strive to improve producer returns by regulating the quantity that can be marketed in normal channels, Common Agricultural Policy decisions do not regulate the quantities marketed. Thus, it is feared a high target return would encourage EC producers to divert acreage to hops, resulting in larger marketable quantities. When sold, this increased supply would result in lower world prices and

(Continued on page 16)

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Weekly Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	April 28	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	1.97	−1	1.99
USSR SKS-14	1.92	−1	(1)
Australian FAQ	1.83	0	1.70
U.S. No. 2 Dark Northern Spring:			
14 percent	1.95	−4	1.90
15 percent	2.01	−1	1.98
U.S. No. 2 Hard Winter:			
13.5 percent	1.91	−3	1.86
USSR-441 Yellow Winter	(1)	(1)	(1)
Argentine	(1)	(1)	1.80
U.S. No. 2 Soft Red Winter	1.76	−2	1.69
Feedgrains:			
U.S. No. 3 Yellow corn	1.66	−4	1.66
Argentine Plate corn	1.68	−2	1.67
U.S. No. 2 sorghum	1.46	+2	(1)
Argentine-Granifero sorghum	1.43	+1	1.40
U.S. No. 3 Feed barley	1.32	−4	.96
Soybeans:			
U.S. No. 2 Yellow	3.19	−3	3.12
EC import levies:			
Wheat	1.52	−2	1.73
Corn [2]	.90	+3	.96
Sorghum [2]	1.04	+5	1.07

[1] Not quoted. [2] Until Aug. 1, 1972, Italian levies are 19 cents a bu. under those of other EC countries.
Note: Basis—30- to 60-day delivery.

Tobacco

U.S. Exports of Tobacco Leaf, Products

After a poor showing for the last half of 1970, U.S. tobacco exports rebounded in January and February 1971 to a level 45 percent in quantity and 51 percent in value above those for January and February of 1970. Flue-cured exports were up 58 percent and burley exports 14 percent for these 2 months.

Total exports for the 8 months ending February 1971 were down 9 percent in quantity and 7 percent in value from the level of the same period last year.

Exports of flue-cured and burley, which make up the bulk of U.S. tobacco exports, were up substantially in January and February but were down 9 percent and 33 percent, respectively, for the 8-month period. Flue-cured was exported for an average f.o.b. price of $1.12 per pound during the 8 months, compared with $1.08 during the previous period. Burley was valued at $1.08 per pound compared with $1.01 last year. A major factor accounting for the substantial decline in burley exports is increased competition from areas such as Greece and Korea.

U.S. tobacco exports to the United Kingdom market during July 1970-February 1971 were about 22 million pounds below the level of the comparable period last year. This was slightly greater than the total loss in exports for the period. Factors responsible for this decline were: (1) Availability of more lower priced flue-cured from other sources; (2) the tobacco and health issue, which has, at least temporaily, adversly affected sales; (3) the higher price of U.S. leaf; and (4) un-

U.S. EXPORTS OF TOBACCO PRODUCTS

Kind	Jan.-Feb. 1970	Jan.-Feb. 1971	July-February 1970	July-February 1971	Change from 1970
					Percent
Cigars and cheroots *1,000 pieces*	8,339	15,805	40,071	48,025	+20
Cigarettes *Million pieces*	3,902	4,554	17,593	18,860	+7
Chewing and snuff *1,000 pounds*	19	7	35	27	−23
Smoking tobacco in pkgs. *1,000 pounds*	109	240	614	743	+21
Smoking tobacco in bulk *1,000 pounds*	2,278	5,024	13,889	20,631	+49
Total declared value *Million dollars*	24.0	32.2	111.0	132.7	+20

Bureau of the Census.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	Jan.-Feb. 1970	Jan.-Feb. 1971	July-February 1970	July-February 1971	Change from 1970
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Flue-cured	34,679	54,672	306,498	279,693	−9
Burley	3,270	3,736	32,666	21,932	−33
Dark-fired Ky.-Tenn.	2,023	2,387	15,090	12,654	−16
Va. fire-cured [1]	194	286	2,716	3,237	+19
Maryland	1,372	436	6,185	6,602	+7
Green River	87	42	132	76	−42
One Sucker	38	85	360	274	−21
Black Fat	429	533	1,242	1,883	+52
Cigar wrapper	130	185	927	878	−5
Cigar binder	54	52	560	293	−48
Cigar filler	98	19	318	220	−31
Other	6,334	8,233	42,726	42,916	—
Total	48,708	70,666	409,420	370,658	−9
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Declared value	45.3	68.2	393.4	365.1	−7

[1] Includes sun-cured. Bureau of the Census.

certainty relative to U.K. entry into the European Community.

During the 8 months ending February 1971, U.S. exports to the European Community were about 104 million pounds—about 9 percent below the previous year's level. However, because of the higher price of U.S. leaf, the value, $93 million, was about the same. The decline in exports to the EC was due to uncertainty caused by the Common Agricultural Policy for tobacco and some shift to lower priced tobacco from other areas.

U.S. exports to Japan were up 23 percent during the first 8 months of fiscal 1971 from the level of the same period of fiscal 1970 and are expected to continue to increase in the period ahead.

Tobacco-product exports continued their upward trend in February. The value of U.S. tobacco-product exports was 34 percent higher in January and February 1971 than during the analogous period of 1970. This brings the value of tobacco-product exports for the 8 months ending February 1971 to 20 percent above that of the previous comparable period. Exports of cigarettes, which account for most of these exports, were up 17 percent in January and February and 7 percent for the 8-month period. Exports of smoking tobacco, in bulk, the second largest tobacco-product export, were up 120 percent for January and February and 49 percent for the 8-month period.

Dairy and Poultry

EC Sets Dairy Support Prices for 1971-72

On March 30, the EC Council of Ministers set dairy support prices for the current marketing year. The producer target price for milk was set at $109 per metric ton, equivalent to an at-plant price of $4.95 per 100 pounds of milk with a 3.7-percent butterfat content. The producer target price for the 2 preceding years was $4.67 per 100 pounds. The 1971-72 intervention, or support purchase, prices for applicable manufactured items are as follows, in cents per pound (1970-71 prices in parentheses):

Butter	80.74	(78.70)
Skim milk powder	21.32	(18.71)
Grana Padano cheese:		
Aged 30-60 days	59.90	(56.61)
Aged 6 months	71.03	(67.50)
Parmesan cheese, aged 6 months	77.57	(74.02)

The new prices became effective April 1, 1971. In raising milk- and dairy-product prices, the Council hoped to improve the income of small farmers who depend upon dairying as their major source of farm income. Also, since the Council had established higher grain prices, it was felt alomst imperative that the price of milk be raised in order to avoid any special incentive for farmers to shift from grazing or dairy farming to crop (mainly grain) production. With the increase in the target price for milk, the relationship between milk and wheat prices was reportedly improved slightly in favor of milk.

A third consideration influencing the Council to increase the price of milk was the improved supply position for dairy products. During the past 2 years both dairy cow numbers and milk production were down in the EC. Likewise, burdensome stocks of butter and nonfat dry milk were significantly reduced during the past year. For example, butter stocks at the end of 1970 were placed at 335 million pounds, about half the 660 million in store at the end of 1969. Stocks of nonfat powder at the close of 1970 were 390 million pounds, compared with about 800 million a year earlier.

Nevertheless, the substantial improvement in the dairy supply position over the past 2 years is no assurance that the Community's dairy surplus problem is solved. The EC Commission estimates that the current rate of annual milk production will result in a surplus of 4 million to 5 million metric tons. These officials fear that with normal weather conditions, milk production and dairy surpluses will again increase. However, some specialists in the Community argue that the higher prices are not sufficient to offset the effects of inflation on dairy farming, and they therefore expect further declines in the number of dairy farmers and in total milk production.

USSR Egg and Milk Production Up

Egg production in the USSR, in relative terms, was consistently the most successful segment of the country's livestock picture during the past 5 years. In 1970, production was reported at 40.4 billion eggs, an increase of 8.6 percent over 1969 and 28 percent above the 1966 output. Average egg production per hen increased from 138 per year in 1966 to 166 in 1970.

Although there has been a general uptrend in milk production in the Soviet Union, the annual rate of increase in the 5-year period 1966-1970 has been much less than that for eggs. In 1970 milk production was 82.9 million tons, 1.7 percent over that of 1969 and 9 percent over the 1966 level.

The relatively small rise in total milk production last year reportedly was due to minor increases in both cow numbers and yields per cow. Average annual yields per cow increased from 4,455 pounds in 1966 to 5,075 pounds in 1970.

Although egg production has increased rapidly in the last 5 years, the Soviet Union's goal of 51 billion eggs per year by 1975 represents a sizable challenge.

Large increases in the number of laying hens and in their productivity will be needed. Likewise, new housing and equipment, better disease control, and other production improvements will be required. Because the year-round demand for eggs exceeds present supply, even with imports, it would appear that the 1975 goal can be reached if the necessary inputs are provided.

The 1975 goal for milk production—98 million tons—appears to involve fewer problems than production goals for other commodities, such as eggs and meat. Early indications are that little or no increase is planned in milk cow numbers; thus, planned expansion in milk output will be based almost entirely on increased productivity per cow. The average an-

USSR EGG AND MILK PRODUCTION

Year	Egg production	Change from previous year	Milk production	Change from previous year
	Millions	*Percent*	*1,000 tons*	*Percent*
1966	31,672	+9.0	75,992	+4.7
1967	33,921	+7.1	79,920	+5.2
1968	35,679	+5.2	82,295	+3.0
1969	37,190	+4.2	81,540	— .9
1970	40,400	+8.6	82,900	+1.7

nual increase in milk yield per cow, as reported, was 3.3 percent during 1966-1970. If this rate of increase in productivity is maintained, Russia's milk production by 1975 will approximate 97 million tons.

Canada Announces Dairy Program

Canada's Minister of Agriculture announced on March 30 the dairy program for the 1971-72 dairy marketing year, which began April 1. In general, the Canadian Dairy Commission's (CDC) support prices and subsidies will continue at last year's levels.

The subsidy on manufacturing milk and cream will remain at Can$1.25 per 100 pounds (Can$1=US$0.99) of milk testing 3.5-percent butterfat, or $0.3571 a pound of butterfat.

Support prices at which the CDC offers to purchase major dairy products will "for the present" remain at existing levels. Thus the support price for butter continues at $0.65, that for nonfat dry milk at $0.24, and that for cheddar cheese at $0.51 a pound. The cheese and nonfat dry milk prices were advanced to the current levels on February 8, 1971. The Minister said, "while actual prices received by producers from the market are a matter of provincial jurisdiction, these changes (in February) will mean that in the forthcoming dairy year there will be a significant increase on market prices to producers for industrial milk compared with those at the start of the 1970-71 dairy year."

A holdback on subsidy payments will continue during 1971-72 in Provinces not under market-sharing quotas. In Ontario and Quebec, where quotas were introduced last year, producers will continue to receive the full subsidy, i.e., $1.25, with a levy on the market payment being remitted to the CDC. According to previous reports, the levy rates were $0.26 per 100 pounds of milk delivered by a producer up to his market quota and $2.40 on deliveries in excess of his market quota. The only change announced by the Minister is that the levy of 1 cent per pound of butterfat on cream deliveries by a producer up to his quota will be discontinued during the new dairy year.

The Minister singled out nonfat dry milk as the one dairy product of which Canada has a surplus. However, he added that prices for nonfat dry milk exports had improved markedly during the past year.

He also left the door open for further changes during the dairy year by stating that the CDC may later adjust rates when it is better able to estimate the costs of surplus disposal for the year.

Philippine Dairy-Product Imports Down

On the basis of data for January-November, total Philippine imports of dairy products for 1970 are estimated as about 17 percent below the 1969 volume.

In 1969, imports of dairy products had totaled 133,046 tons in actual weight, with evaporated milk, at 62,989 tons, making up nearly half of total purchases. Imports of evaporated milk during the 11 months of 1970, however, totaled only 35,411 tons—a sharp drop undoubtedly accounting for the bulk of the overall decline from the 1969 level.

Imports of powdered milk, both whole and nonfat, totaled 45,867 tons during January-November, or slightly more than the 45,004 tons imported during all of 1969. Imports of other principal items during January-November included 7,457 tons of condensed milk, 3,676 tons of butter, and 3,490 tons of cheese and curd.

The Philippine Republic produces only about 4 percent of its domestic requirements for milk and dairy products. The balance, or about 700,000 metric tons of dairy items, whole-milk-equivalent basis, has to be imported. Australia, New Zealand, and the Netherlands are the principal suppliers of dairy products to the Philippine market. U.S. shipments of nonfat dry milk for relief and special feeding programs totaled 6,269 tons in 1970 while commercial sales were 2,313 tons. Comparable U.S. shipments in 1969 totaled 6,810 tons and 2,426 tons, respectively.

Dairy farming remains a minor agricultural venture in the Philippines. It is unofficially estimated that 28,500 carabaos (or water buffalo) were milked in 1970 compared with 11,750 head of dairy cows. Carabao milk production is placed at 16,900 tons, or about 62 percent of the total milk output for the year. Production of cow's milk was estimated at 10,000 tons, while output of goat's milk approximated 300 tons.

Total apparent consumption of dairy products was about 735,000 tons (whole-milk equivalent) in 1970, up 2 percent from 1969. Per capita consumption was reported at 44 pounds for the year.

Australia's Exports of Major Dairy Products

Australia's exports of butter and butter products totaled 206 million pounds in 1970, up 19 percent from comparable 1969 sales. Exports of powdered milk totaled 174 million pounds, up 20 percent, while cheese exports of 80 million pounds were 1.5 percent larger. Canned milk exports declined to 22 million pounds, 23 percent below 1969 shipments.

The United Kingdom is by far the most important market for Australia's butter, taking 153 million pounds in 1970. Japan is Australia's best customer for powdered milk for livestock feed, while the Philippines, Japan, and Indonesia are important customers for spray nonfat dry milk for food uses. The United Kingdom and Japan are Australia's best markets for cheeses.

Exports of casein in the marketing year 1969-70 totaled 67 million pounds, compared with 58 million in 1968-69 and 37 million in 1967-68. The United States was the principal destination in 1969-70, with 32 million pounds, followed by Japan, with 24 million. Casein production in Australia was 65.3 million pounds, down 2.4 million from the 1969 level but still the second largest output on record.

Effective April 1, Australia's butter quota to the United Kingdom for the 1971-72 quota year was set at 66,700 long

AUSTRALIAN DAIRY-PRODUCT EXPORTS

Product	1969	1970
	1,000 pounds	*1,000 pounds*
Canned milk	28,365	21,959
Powdered milk:		
Full cream	33,103	35,078
Skim spray dried	101,748	118,632
Other	13,189	20,280
Butter	132,779	153,429
Concentrated butterfat (includes butteroil, ghee, etc.)	39,776	52,241
Cheese:		
Cheddar	51,433	51,996
Processed	18,229	18,302
Other	8,638	9,188

tons, an increase of about 11,000 tons over actual shipments to the United Kingdom in the 1970-71 quota year.

Australia has joined other major suppliers of cheese to the U.K. market in continuing the market sharing arrangement for Cheddar cheese. Under this arrangement, Australia can ship 12,500 tons in 1971-72, 600 more than in 1970-71.

Imports of cheeses into Australia in 1970 totaled 4.6 million pounds, compared with 5.5 million in 1969—a decline of 16 percent. However, imports are playing an increasingly important role in cheese consumption in Australia. In the past 4 years, the percentage of imports in total domestic consumption of cheese has increased from 9.7 to 14.6.

Sugar and Tropical Products

Record World Tea Crop Harvested in 1970

In 1970, world tea production (excluding Mainland China) reached an alltime high of 2.4 billion pounds, an increase of 3 percent over the record 1969 harvest of 2.33 billion pounds, according to preliminary data. Primarily responsible for the bumper 1970 world crop was a 6.5-percent gain in India's harvest which reached a record 930 million pounds. Pakistan's crop was also a record, amounting to 69 million pounds. African production, at about 259 million pounds, again reached new highs, reflecting record crops by Kenya (90.6 million lb., Malawi (41.3 million), Mozambique (37.5 million), and Uganda (40.1 million).

Ceylon's crop, however, because of less favorable weather conditions and more selective plucking, fell to 467.8 million pounds from 484.2 million the year before. Poor weather conditions also reduced Tanzania's crop to slightly below the 1969 outturn of 19.4 million pounds.

World tea prices in 1970 recovered from their low levels of the preceding year. London auction prices for all teas averaged 49.7 cents per pound in 1970, compared with the 1969 average of only 44.1 cents. However, prices during the first quarter of this year weakened, averaging 43.5 cents, off slightly from the average of 45.5 cents in the corresponding 1970 period. London stocks at the end of March 1971 totaled approximately 200 million pounds, up substantially from the 160-million-pound level of the same period a year ago.

El Salvador Expects Record Sugar Output

El Salvador expects a record-breaking sugar output of 147,000 metric tons, raw value, in 1970-71, representing an increase of 25 percent over the previous year's outturn. This record is attributed mainly to ideal weather conditions and an increase in the area harvested, including the harvesting of about 5,000 acres of former panela (brown sugar) area for centrifugal sugar. In 1971-72, the cane area harvested for sugar will be the same as in 1970-71, but higher yields are expected because of improved cultural practices and last year's new plantings, which will be in full production in 1971-72. Several sugar mills have improved production facilities, and there should be no difficulty in handling the harvest. Although it is too early to forecast 1971-72 sugar production, all indications at this time point to another record output.

Fruits, Nuts, and Vegetables

Australian Dried Fruit Program

Ian Sinclair, Australian Minister for Primary Industry, recently introduced legislation calling for the establishment and operation of a joint Commonwealth-industry dried fruit program. This scheme—a response to the industry's needs for improved, lower cost processing and production procedures—will cover dried vine fruits and dried tree fruits.

The Commonwealth will match industry contributions collected through levies on dried fruit deliveries on a dollar-for-dollar basis. The initial operative levy has been set at 56 cents per ton of dried vine fruit and at varying levels for the dried tree fruits, depending upon their individual sale value. A Dried Fruits Research Trust Account will be established to oversee distribution of funds.

Larger Argentine Dried Fruit Pack

Argentina reports that a larger 1971 grape crop boosted dried fruit production to 8,300 short tons, 8 percent above last year's level. Raisin and currant production is forecast at 3,900 tons, 18 percent above the 3,300 tons produced in 1970. Strong wind and hailstorms reportedly damaged the prune crop, however, and production is expected to equal the 1970 crop of 4,400 tons but remain below average.

More raisins but less prunes are expected to be exported during 1971. Total dried fruit exports were 6,700 tons last year. Brazil was the major market, accounting for 59 percent of all dried fruit exports. Peru, Mexico, the United States, and West Germany were next in importance.

ARGENTINE DRIED FRUIT PRODUCTION

Item	1968	1969	1970	1971[1]
	Short tons	*Short tons*	*Short tons*	*Short tons*
Prunes	5,500	5,500	4,400	4,400
Raisins and currants	11,000	2,200	3,300	3,900
Total	16,500	7,700	7,700	8,300

[1] Forecast.

Crops and Markets Index

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Foreign Agriculture

CAP for Hops

(Continued from page 11)

decreased returns to non-Community producers.

Certificates of appellation apparently are not required for shipments originating in third countries (non-member nations) under the proposed CAP. However, if the proposal should be amended to require all shippers to provide this document, compliance should pose no serious problem for the U.S. trade.

Similarly, the proposed quality standards should pose little problem for the U.S. industry, which can meet most of them easily. However, some concern has been voiced regarding the maximum seed content of 2 percent. As now written, the proposed standards appear to prohibit Community trade of seeded hops. Several U.S. varieties important in export are of this type, containing up to 8-percent seed by weight. But it is currently felt that seeded varieties are eligible for a waiver that the proposal permits for items designated "special products."

It is difficult to ascertain what effect the proposed hop Common Agricultural Policy will have on U.S. trade. In recent years, U.S. imports have risen sharply, totaling 11.1 million pounds ($10.9 million) during the 1969-70 season, compared with 6.9 million pounds ($7.3 million) in 1965-66.

The European Community accounts for approximately 70 percent of American imports, with West Germany ranking as the largest individual supplier (65 percent), followed by Yugoslavia (20 percent) and France (5 percent).

U.S. exports, on the other hand, have fallen sharply, totaling 12.2 million pounds ($9.5 million) during the 1969-70 season, compared with the 1965-66 record of 23.8 million pounds ($14.3 million). Recent high prices due to short crops are partially to blame for the slumping export sales. Except for the larger volume purchased during the 1965-66 and 1966-67 seasons, the EC has annually accounted for approximately 15 percent of U.S. exports over the past 15 years.

Three of the largest U.S. brewers, who utilize 85 percent of total U.S. imports, insist on Continental hops for a major portion of their requirements. Their rapid sales expansion of more than 10 percent yearly has been a major factor in the growth of imports. American producers are presently studying Continental varieties they hope will meet brewers' requirements. Results are promising and the trade feels a breakthrough will be forthcoming.

Both the United States and the EC recognize the importance of their reciprocal hop trade and will take whatever action is necessary to overcome obstacles that may arise if the hop Common Agricultural Policy is adopted.

U.S. Share of Canada's Cotton Imports Rises

The U.S. share of Canada's cotton imports during the first 5 months of 1970-71 was 78 percent, compared with 40 percent a year earlier. Canada's total imports of cotton were down 20 percent from a similiar 5-month period a year ago from 148,000 to 119,000 bales, while imports from the United States have increased 55 percent from 60,000 to 93,000 bales. This turnaround is attributed to availability of U.S. cotton at competitive prices.

The principal growths displaced by U.S. cotton were Mexican, Turkish, Russian, and Brazilian, in that order, because of low supplies and high prices.

The overall drop in Canadian imports of cotton is believed to be because of slow demand in the textile market which resulted in a falloff in cotton consumption. Competition from synthetic fibers also has increased.